

Lessons from the ENERGY STAR Experience



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Overview

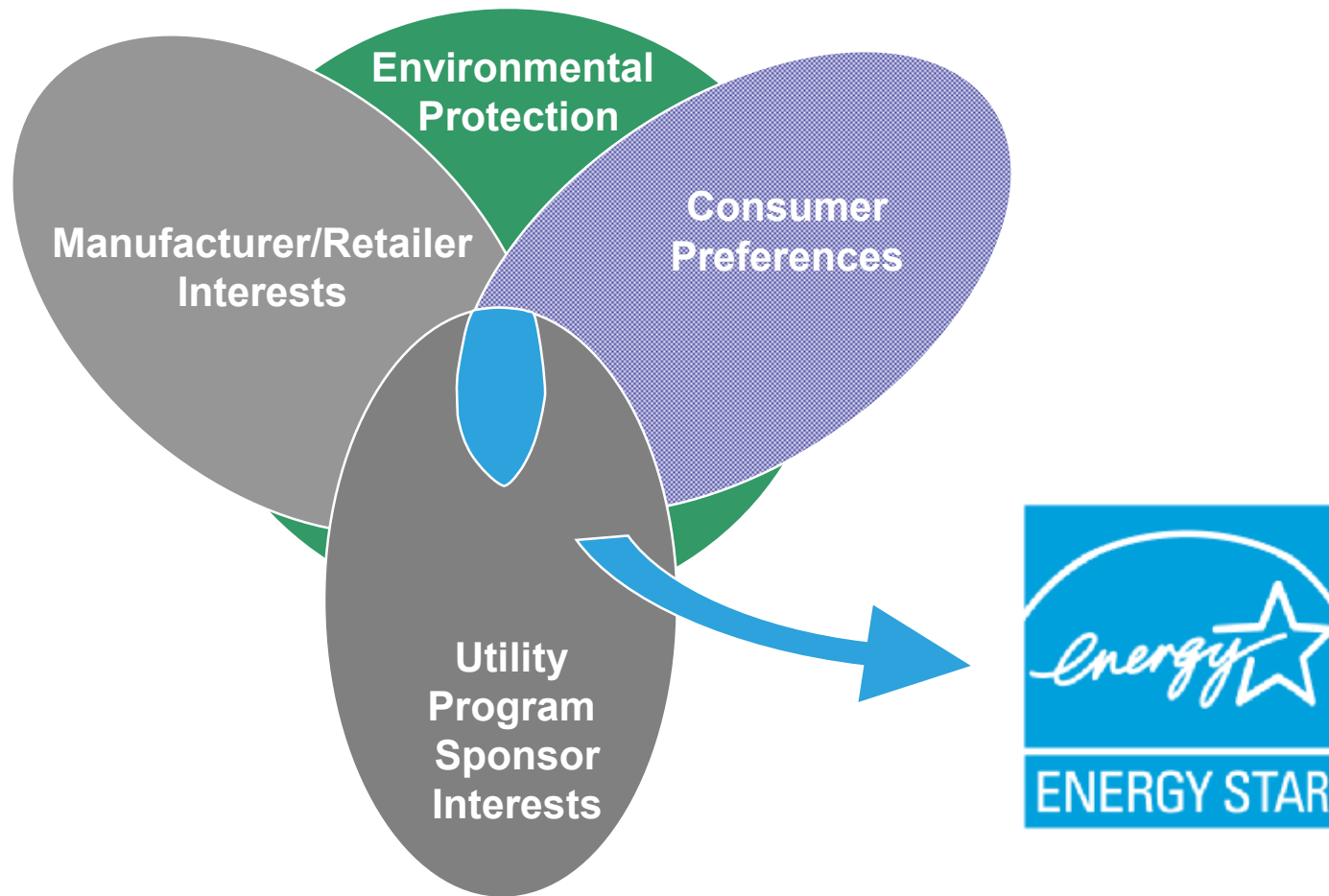


- Experience with 15+ voluntary programs that promote environmentally friendly actions
 - ENERGY STAR is one
- ENERGY STAR is successful
 - become a model many want to build upon
- To effectively build upon it must
 - understand roots of ENERGY STAR success
 - *stem from particular market conditions*
 - understand lessons learned and costs
 - assess relevance to own problem

Overview of ENERGY STAR

- Residential Effort
 - promote labeled products
 - promote system-wide improvements
- Commercial/Institutional/Industrial Effort
 - superior energy management
 - contract with EPA
 - organizational commitment
 - standardized measurement
 - recognition for energy savings
 - labeled products play minor role

Success Requires Finding/Building Upon Intersection of Interests



From Consumer Standpoint

- Products must conform to lessons from green marketing
 - Green marketing experience shows success **only** when product delivers desired functions and environmental benefit is extra.
 - Tie goes to the dolphin
 - If you buy this product you will save water and energy without sacrificing quality of life?
- Products must deliver on savings claims
 - Product must deliver savings by itself (feasible for labeling)
 - If there is a large consumer behavior element to product savings, product is less appropriate for savings since label can not deliver on performance

From Key Partner Standpoints

- Retailers
 - Want sufficient labeled products throughout store to warrant company promotions
 - Want Government to carry consumer education message and credibility of label
- Manufacturers
 - Want Initiative to highlight high-profit products
 - Show concern that some products can negatively reflect on theirs
- Energy Program Sponsors
 - Need real savings -- must continually justify program

From the Government Standpoint

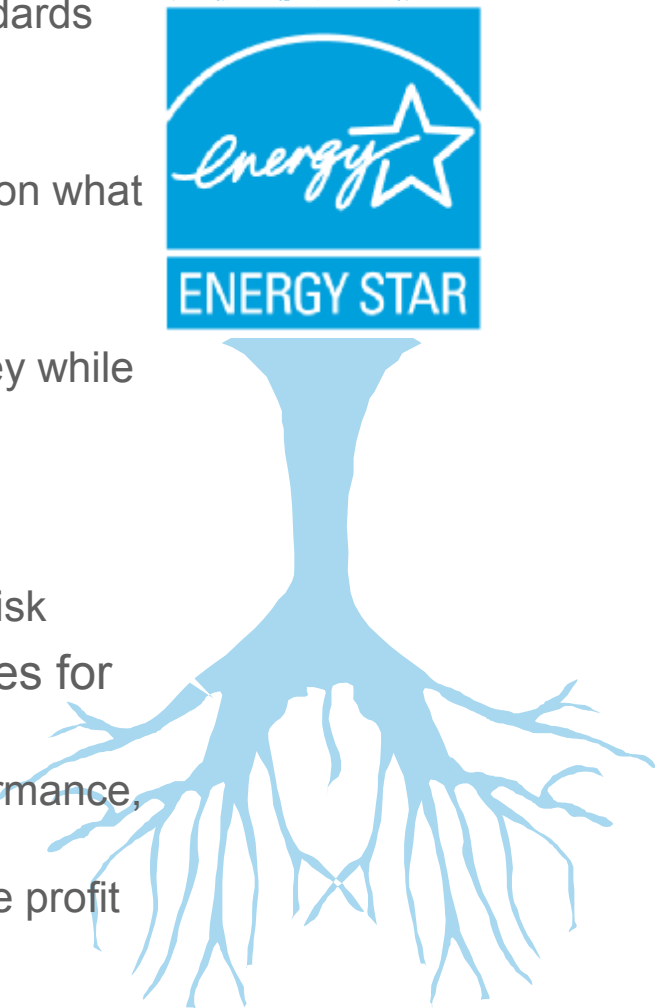
- Substantial environmental benefit
 - voluntary programs are expensive
 - want good use of taxpayer's dollar from beginning
- Allows for unified message across all products
 - save energy
 - no sacrifice
- Message is consistent with Agency
 - can protect the environment and maintain quality of life

Lessons from ENERGY STAR Labeling after 10 years

- Major successes to date
 - Where technology fix invisible to consumer
 - TVs, VCRs, Audio, Office Equipment
 - Where products offer desirable consumer benefits
 - appliances
 - Where regional players using ENERGY STAR to standardize/coordinate local programs
 - \$1 billion spent across the country promoting energy efficiency
- People are not motivated to retire products early
 - Encouraging early retirement of AC equipment showed limited success (without sizable cash incentives)
- Little benefit with products only a little better than national standards

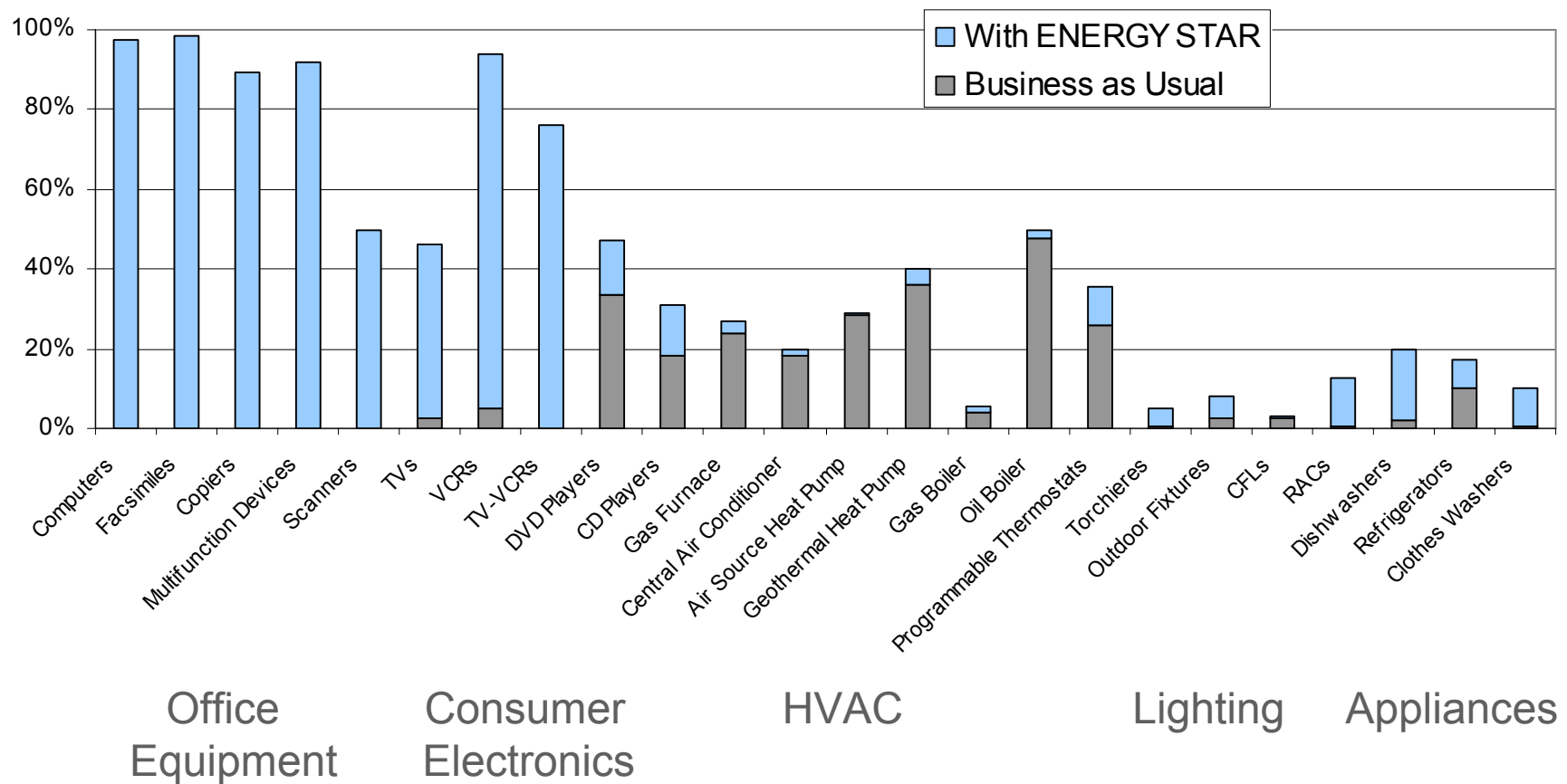
Roots of Success

- Large potential climate benefits
 - 30% savings in many homes / buildings over standards
- Big potential market place
 - More than 50% of people will choose to help the environment (and save money) if have better info on what to do AND there are no tradeoffs
- Compelling Government message
 - Improving environment thru efficiency saves money while often enhancing performance, comfort
- Appropriate Government role
 - Market barriers surmountable with information
 - Can reduce transaction costs and perceptions of risk
- Selling efficiency consistent with market incentives for key market players
 - Efficient products often offer greater quality, performance, comfort
 - Selling more efficient products often provides more profit



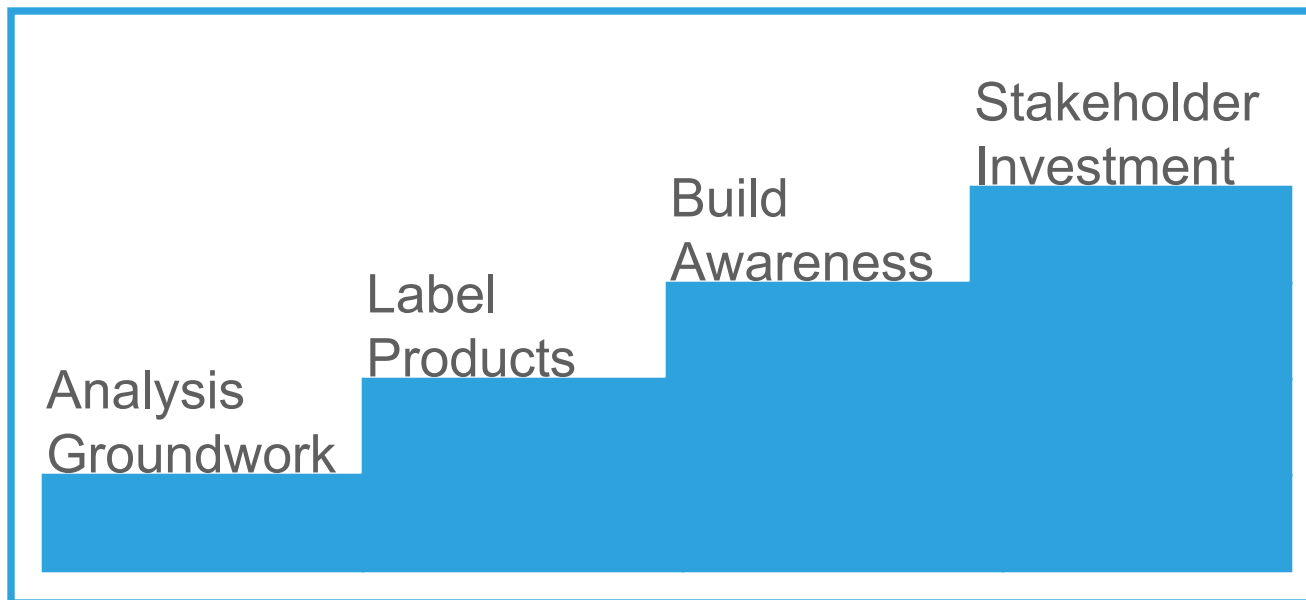
How the Market Has Moved

2000 Market Penetration



Lessons (cont)

- Building relevance of a label is hard
 - awareness is at 40% after 10 years
 - BUT understanding and trust remain challenges
- Building program is many staged process



ENERGY STAR is Expensive

- Setting performance specifications
 - testing methods
- Administration
 - registering manufacturers to use label
- Consumer Outreach
 - consumer attention hard to get; crisis driven
- Clear Consumer Information
 - up to date product lists
- Protecting Integrity of Label
 - ensuring that only qualifying products carry the label
 - checking for misuse of label
 - product testing
- Evaluation

Defining Specifications Takes Resources



Example: CFLs

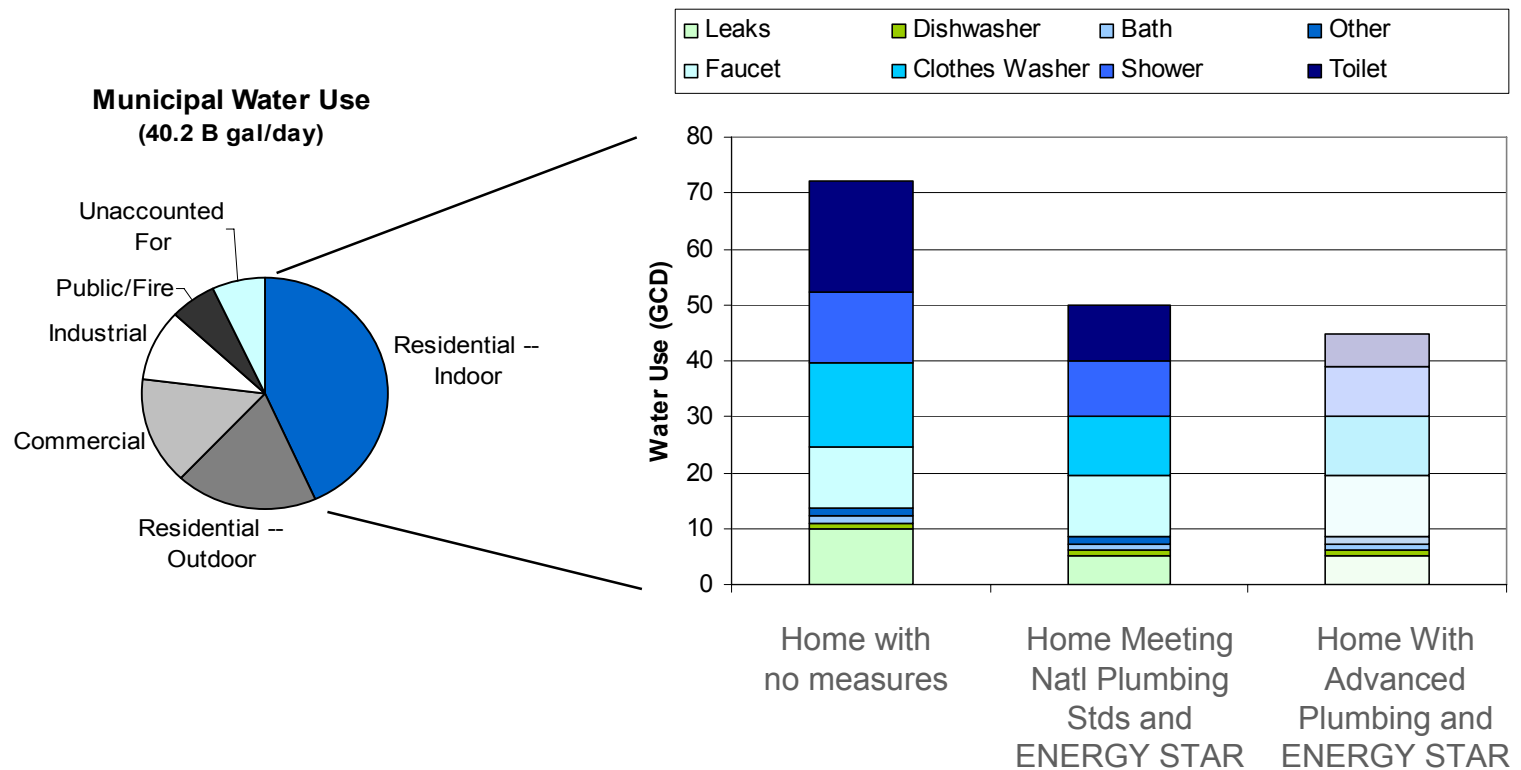
Agencies have spent years investing in applied research -- developing new tests to address consumer issues.

Example: Saying No

- Efficient autos do not fit ENERGY STAR program today
 - ENERGY STAR stands for efficiency in addition to desired features and performance
 - Efficient cars currently compromise features and/or performance
 - Perception of safety issues with small cars remains an issue
- Unclear what information barrier is being fixed
 - consumers have clear info on MPG of autos and pay fuel bill frequently
 - consumers may be purchasing the vehicles they want
- Market structure does not support sales of efficient vehicles
 - labeling does not overcome financial disincentives
- Questionable benefits and and questionable use of government resources

Other examples: Motors, commercial windows

Look at Water Use in the Home



Not much to get after national standards and ENERGY STAR

Look at Other End Uses

- Options for Home outdoor water use

- Choice of Plants
- Landscape Planning
- Choice of Irrigation
 - Automatic systems
 - Manual systems
 - Controls / Sensors
- Reuse/recycling

- Options for Comm/Ind/Public

- Targeted Toilet/Urinal Replacements
- Cooling Tower Improvements
- Large User Audits
- Large Landscape Audits
- Better metering

Issues for Label

?

Product or practice?

Quality of service

Role of education

Do products alone provide savings?

Role of standards

Product?

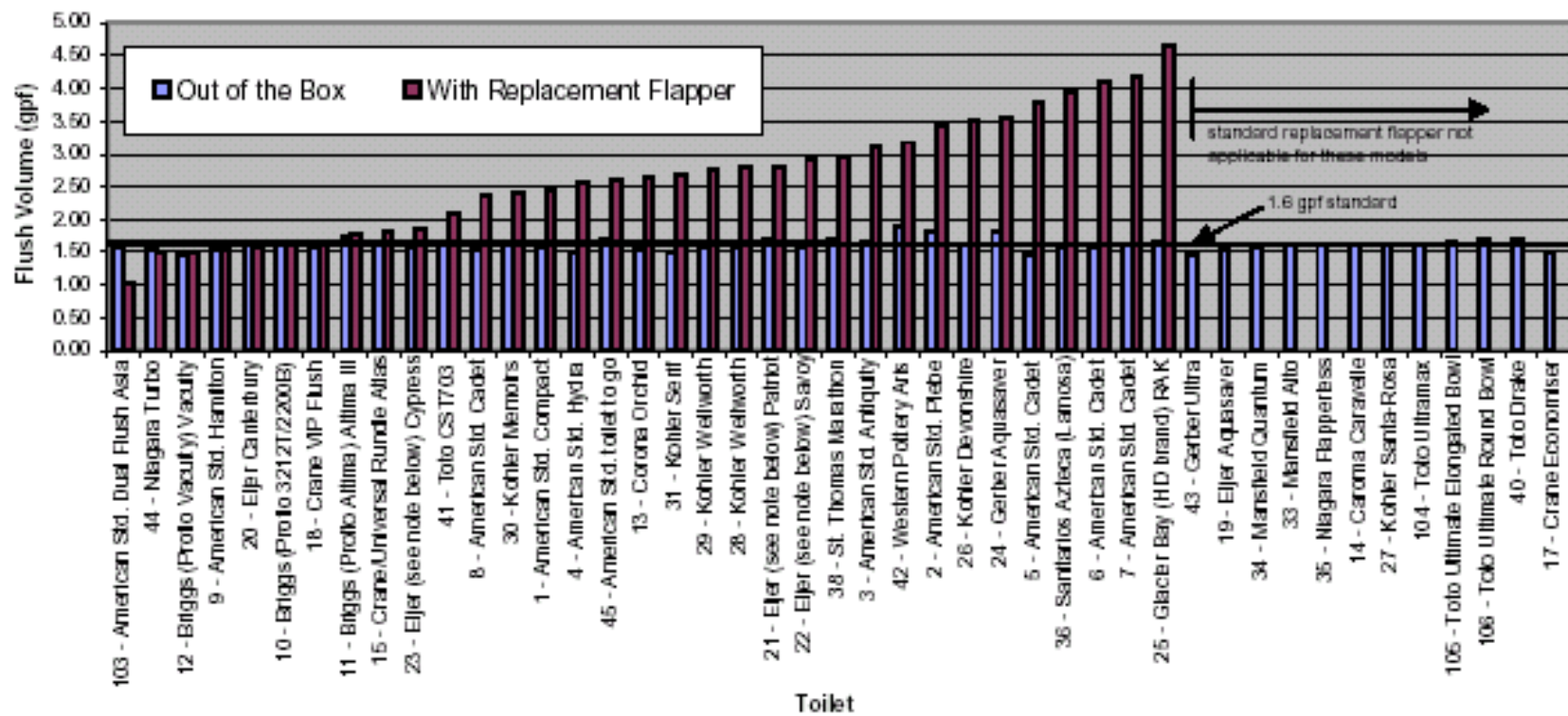
Practice?

Practice?

?

Other Important Issues

Figure 2
FLUSH VOLUME DISTRIBUTION
(1.6 gpf units)



Summary

- Saving Water is Important
- Successful effort is likely combination
 - Behavior
 - Services
 - Policies
- Can build upon ENERGY STAR for DW and CW
- Work needed to determine most effective water savings solutions
 - Labeling is expensive / requires particular market conditions / can backfire in the market place

Let's Do It Right!